

Message Text

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ORIGIN EB-07

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DRAFTED BY TREASURY/OASIA:JJOHNSON/EB/IFD/OIA:DHSTEBBING
APPROVED BY EB/IFD/OIA:RJSMITH
ARA/AND:TALLITTO
ARA/ECP:DTAHER (SUBS)
L/ARA:FWILLIS (INFO)

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FM SECSTATE WASHDC
TO AMEMBASSY QUITO

C O N F I D E N T I A L STATE 303698

E.O. 11652: GDS

TAGS: EINV, EC

SUBJECT: ADA CASE

1. FOLLOWING FYI IS MEMCON OF PHONE CALL DECEMBER 9 BETWEEN
TREASURY OFFICIAL AND ADA ATTORNEY LYON BRINSMADE.
2. BEGIN TEXT: I OPENED THE CONVERSATION WITH AN INQUIRY
ABOUT THE STATUS OF ADA'S NEGOTIATIONS WITH HUMBOLDT.
MR. BRINSMADE RESPONDED THAT, DUE TO THE ILLNESS OF
HUMBOLDT'S CHIEF EXECUTIVE OFFICER, THE TALKS HAD BEEN
DELAYED. DRAFTS OF AN AGREEMENT ARE BEING EXCHANGED
BETWEEN ADA AND HUMBOLDT AND BRINSMADE WAS HOPEFUL THAT AN
AGREEMENT COULD BE SIGNED WITHIN A MONTH.
3. I -TOLD MR. BRINSMADE THAT WE WERE STILL ATTEMPTING TO
CLARIFY WHAT POSITIONS NORTHWEST AND-THE GOE WERE TAKING ON
THIS ARRANGEMENT AND THAT WE MIGHT WISH TO CONTACT HUMBOLDT
IN ORDER TO GET THEIR VIEWS.
4. BRINSMADE REPLIED THAT HE THOUGHT THAT ANY APPROACH
NOW WOULD BE PREMATURE UNTIL HUMBOLDT HAD REACHED AN
AGREEMENT WITH THE OTHER PARTNERS IN THE CONSORTIUM AND
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ADA WAS OUT OF THE PICTURE. HE ADDED THAT ALL PARTIES ARE

PLAYING THEIR CARDS CLOSE TO THE VEST AND THAT, IN HIS VIEW,

THEY WOULD BE UNLIKELY TO PROVIDE THE USG WITH MORE INFORMATION UNTIL THEY FELT THEY HAD WORKED OUT THE BEST DEAL FOR THEMSELVES. AS AN ILLUSTRATION OF WHAT HARM PREMATURE DISCLOSURE COULD CAUSE, BRINSMADE ARGUED THAT IF NORTHWEST KNEW THAT ADA WAS "IN THE BAG" ON THIS DEAL, NORTHWEST MIGHT "UP THE ANTE", MAKING AGREEMENT MORE DIFFICULT. HE SAID THAT HUMBOLDT WAS NOT TELLING ADA ANYTHING ABOUT THEIR TALKS WITH NORTHWEST OR THE GOE, BUT THAT HE (BRINSMADE) SUPPOSED IT UNLIKELY THAT HUMBOLDT WOULD BE WILLING TO BUY-OUT ADA'S INTEREST UNLESS IT HAD ADVANCE INFORMATION ABOUT WHAT WAS A FEASIBLE SETTLEMENT.

5. I ASKED HIM ABOUT THE STATUS OF ADA'S SUIT AGAINST NORTHWEST, BRINSMADE INDICATED THAT DEPOSITIONS ARE SCHEDULED TO BE TAKEN IN JANUARY, BUT THAT, IF AGREEMENT COULD BE REACHED BEFORE THEN, HE WAS HOPEFUL THAT A COURT PROCESS WOULD BE UNNECESSARY. IN HIS VIEW, IT IS NORTHWEST'S CONCERN ABOUT ADA'S SUIT WHICH HAS PROMPTED ITS WILLINGNESS TO TALK ABOUT A SETTLEMENT WITH ADA.

6. I ASKED MR. BRINSMADE WHAT, IN HIS VIEW, THE GOE'S PREFERRED ROUTE FOR SETTLEMENT MIGHT BE. HE REPLIED THAT THE ECUADOREANS WOULD PREFER TO FORGET ABOUT THE ADA CASE ALTOGETHER. HE NOTED THAT IN THE NORTHWEST CONCESSION AGREEMENT, THE GOE INSERTED A CLAUSE REQUIRING NORTHWEST TO PAY FOR ANY MATERIAL AND EQUIPMENT TO PLACE WHICH IT UTILIZED. ALTHOUGH THERE IS NO INDICATION IN THE AGREEMENT AS TO WHO SHOULD RECEIVE THIS COMPENSATION, BRINSMADE BELIEVES IT WAS THE GOE'S OBLIQUE RECOGNITION THAT ADA WAS ENTITLED TO COMPENSATION FOR AT LEAST THIS INVESTMENT. AT PRESENT, HE BELIEVES THAT IT IS NOT OF PARAMOUNT IMPORTANCE TO THE GOE HOW SETTLEMENT IS REACHED--WHETHER BY TALKS BETWEEN ADA AND NORTHWEST OR TALKS BETWEEN NORTHWEST, THE OTHER PARTNERS, AND THE GOVERNMENT--AS LONG AS THE GOE CAN SAY IT IS NOT DEALING WITH ADA AND THAT THE NEW CONCESSIONAIRES ARE DEVELOPING THE FIELD. HE ADDED THAT, IN HIS VIEW, THE GOE WOULD NOT HAVE COME THIS FAR WERE IT NOT FOR USG PRESSURE AND THE GOE'S FEAR THAT THE GUAYAQUIL

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PROJECT WOULD NEVER GET OFF THE GROUND. HE EXPRESSED APPRECIATION FOR OUR EFFORTS.

7. I THANKED HIM AND INDICATED I WOULD CALL AGAIN WITHIN THE NEXT TWO WEEKS TO GET A NEW READING OF THE SITUATION. END TEXT.

8. IT IS EVIDENT FROM ABOVE CONVERSATION AND EARLIER ONE

WITH MCMILLIAN OF NORTHWEST THAT COMPANIES CONSIDER
ARRANGEMENT THEY ARE ATTEMPTING TO WORK OUT TO BE A MATTER
OF EXTREME DELICACY. IF YOU BELIEVE YOUR RELATIONSHIP

WITH HUMBOLDT/OKC REPRESENTATIVES PERMIT YOU TO BROACH
THE SUBJECT, HOWEVER, WE WOULD APPRECIATE ANY INFORMATION
YOU CAN OBTAIN ON THE PROGRESS OF SUCH ARRANGEMENTS. IT
WOULD BE BETTER NOT TO REVEAL FACT OF OUR MEETING WITH
NORTHWEST. KISSINGER

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